

2004-06 budget agreement reached

The General Assembly met for the veto session on April 6 and approved all but two of the 30 amendments the governor proposed to the budget. Many of the amendments were technical or minor. Overall, it was a much calmer budget process; certainly smoother than the 2004 session when a budget was not adopted until May. The final budget agreement includes \$848.1 million in spending for transportation, including \$347.6 million from unanticipated revenues this fiscal year. It also includes \$64 million for Chesapeake Bay and land conservation measures, and additional funds for state employee and state-supported salary increases. The agreement also endorsed the 1.5 percent reduction of the sales tax on food promoted by Governor Warner, and took great strides towards eliminating the accelerated sales tax paid for all but the largest retailers. Major budget details are summarized below.

Here are some links to budget information on state web sites:

1. Department of Taxation: http://www.tax.virginia.gov/web_pdfs/localest06.pdf
Wine tax & ABC profits
State sales and use tax
State sales and use tax/public education standards of quality local real estate property tax relief fund
Local option one percent sales and use tax
Recordation tax.
2. Department of Education: <http://141.104.22.210/VDOE/suptsmemos/2005/>
Updated information on state funding and required local share for each school division will be posted at this address.
3. Compensation Board (constitutional officers): <http://www.scb.virginia.gov/budgets.html>.
Select "Budget Estimates," then your locality or regional jail, and finally which office (sheriff, clerk, etc.) estimate you wish to review.
4. HB 599 allocations from the Department of Criminal Justice Services:
<http://www.dcjs.virginia.gov/grantsAdministration/599/2006RevisedBudget.pdf>.

AID TO LOCAL GOVERNMENTS

HB 599. No changes made to FY05 distributions; increases the amount to be distributed in FY06 by \$4.2 million.

ABC/Wine taxes. Maintains distribution level for FY05 and FY06 as set by 2004 General Assembly.

Recordation taxes. No changes made to the \$40 million distributed each year.

Sales tax from public facilities. No changes although the final version of the budget clarified that any municipality which issued bonds on or after July 1, 2001, but prior to July 1, 2006, to pay the cost for construction of a public facility shall be entitled to all sales tax revenues generated by such facility. This applies specifically and only to the City of Salem.

Rolling stock taxes. No changes in FY05; increases FY06 estimate for these taxes by \$200,000.

COMMERCE AND TRADE

Department of Housing and Community Development.

Rural and cultural economic development activities. Rural economic development. For FY06, an additional \$9.3 million to support rural and cultural economic development and tourism activities. Includes funding for: a community development bank to provide business and housing loans in distressed regions; two regional consortia for workforce training in distressed areas; a New Virginia Trails program, an artisan network organization and trail and at least one artisan center; the Virginia Small Manufacturing Assistance Program; acquisition and redevelopment of closed industrial sites in rural areas; and further development of rails to trails in Southside Virginia.

Planning district commissions. Adds \$511,454 in FY06 for planning district commissions

Enterprise zones. Provides \$13.5 million for the enterprise zone program established under SB 983/HB 2570. The funding will support the current job creation program, as well as the new job creation program and the new property improvement grant program.

Virginia Tourism Authority

Tourism. Provides \$1.7 million to the Virginia Tourism Authority and \$250,000 for regional tourism in FY06.

Department of Historic Resources

BRAC. Directs the Department of Historic Resources to collaborate with the U.S. Department of Defense to ensure efficient historic review of military installation projects, including projects undertaken in response to the Base Realignment and Closure (BRAC) process.

COMPENSATION BOARD

Jail per diem. Does not include an increase in FY06 jail per diems. Language approved by the 2004 General Assembly (Item 67, paragraph M, Acts of Assembly Special Session I) requires the state to use actual inmate population counts in the first quarter of the fiscal year when it projects its per diem payments for the fiscal year. This delays the projections, and means the any increase required will have to be addressed in the caboose budget submitted by the governor in December 2005 and approved during the 2006 General Assembly session--sometime during the final two quarters of FY06.

Recovering contract inmate costs. Directs the Compensation Board and Auditor of Public Accounts to develop revised per diem cost recovery methodology to recover all costs reimbursed by the state, including capital costs, associated with housing inmates from other states, the District of Columbia, or the federal system, in local or regional jails. Report is due October 15, 2005. Currently, only staffing costs are considered in the per diem cost recovery methodology.

New jails and jail expansions. Reduces by \$1.7 million in FY05 the funding for jails with delayed opening dates (Fairfax County and Virginia Beach jails).

Additional sheriffs' deputies. Adds \$826,267 to support 30 new law enforcement deputies to meet the 1 law enforcement deputy per 1,500 population ratio.

Return to custody program. Language authorizes the Compensation Board to reimburse local and regional jails for offenders housed under the pilot “return to custody” program.

COURTS

Family courts study. Gives the Judicial Council until December 1, 2005, to complete its report on funding, resources, and statutory changes necessary to implement a system of family courts. The original report date was November 1, 2004.

Drug courts. Adds \$110,000, plus \$1.0 million in federal funds and two positions for the Supreme Court in FY06 to fund drug court treatment programs throughout Virginia. Another amendment transfers state funding for these programs from the Department of Criminal Justice Services to the Supreme Court.

Involuntary commitment costs. Adds \$583,136 each year to general district courts, \$17,500 each year to juvenile and domestic relations courts, and \$79,123 each year to combined district courts for costs related to the involuntary commitment of indigent persons for mental health evaluation and care. Funding will pay for physicians, special justices, interpreters and witnesses, if warranted.

Public defender offices. Reduces funding by \$3 million in FY05 for Chesapeake, Hampton, Newport News and Arlington because offices are not fully functioning. Funding remains in FY05 when offices should be fully staffed and operating.

EDUCATION

Direct Aid to Education

Teacher salary increase. Adds \$54.8 million in FY06 to pay the state share of a 3 percent salary increase for state funded instructional and support positions, effective December 1, 2005. Superintendents have to certify that equivalent increases have been granted for the division to be eligible for the funding. A match based on the composite index is required. The budget specifies that the goal is to improve the average classroom teacher salary by three percent, but that the funding is not a mandate.

Account shortfalls. Funds a portion of the shortfalls in several items in the adopted 2004-06 accounts, including English as Second Language student counts, corrections for special education counts in two jurisdictions, and other updates. This appropriation is \$11.7 million short in FY05 (approximately 0.5 percent of total projected basic aid entitlements). If sufficient savings in actual costs are not made prior to the close of FY05, or if additional funds are not made available when payments must be made, basic aid payments may have to be reduced or prorated for all school divisions in the last quarter of FY05. Decrease of \$10.2 million in FY05 and an increase of \$4.4 million in FY06.

At-risk funding. Adds \$2.3 million to restore half of the eight percent reduction taken in 2002 in the at-risk add-on payment program. The program is for at-risk students; truancy prevention is added to the list of programs that may be supported with the funding. The appropriations act specifies that \$675,000 of the city of Richmond’s payment must be used for truancy programs.

Medicaid/special education. Decrease of \$3.6 million in non-general funds to remove the proposed new language in the introduced budget that would have changed the way school districts are reimbursed for medical service costs. Negotiations will continue with the federal government on a future reimbursement methodology, but the current reimbursement system will stay in place for now.

Literary Fund. Restores \$10.0 million in the Literary Fund by increasing by \$10.0 state general fund support for teacher retirement costs. The restored Literary Fund proceeds will be used for direct loans for school construction projects on the First Priority Waiting List. The additional \$25.0 million for the interest rate subsidy program in the introduced budget was retained (see below under introduced budget).

Basic aid decreases and sales tax increases. When sales tax collections go up, basic aid payments go down because of how the SOQ funding formula works. Basic aid will decrease by \$225,199 in FY05 and \$.9 million in FY06; sales tax distribution will increase by \$400,000 in FY05 and \$1.6 million in FY06.

Lottery profits. Distributes to school divisions additional lottery profits of \$11.0 million in FY05 and \$15.4 million in FY06. (The introduced budget included an additional distribution of \$19.8 in FY05.) Half of the funds must be spent on non-recurring expenditures. The money is distributed on the basis of a per-pupil amount in ADM, and must be matched based on the local composite index. The total lottery profits to be distributed directly to school divisions in FY05 will total \$156.5 million in FY05 and \$163.5 in FY06.

School breakfasts. Adds \$1.2 million in FY06 to establish a state-funded incentive program to maximize federal school nutrition funding and increase student participation in the school breakfast program. Funds would be available as reimbursement for breakfast meals served in excess of the baseline established by the Department of Education; the per meal reimbursement would be 20 cents, but this amount could be reduced to prevent distributions from exceeding the appropriation. This funding cannot be used to supplant current local funding. The language states that “in no event shall these funds be used to reduce local tax revenues below the level appropriated to school nutrition programs in the prior year.”

Average daily membership. Decreases estimates for adjusted daily membership, which lowers state payments for SOQ and incentive based programs. ADM is lowered by 7,589 in FY05 and 10,738 in FY06. The Department of Planning and Budget staff said it was not certain whether this decrease in attendance resulted from a change in the way students were counted for ADM or signaled the start of a trend toward decreased ADM. Decrease of \$25 million in FY05 and \$36.3 million in FY06.

Participation. Adjust incentive-based and categorical programs to reflect changes in participation rates. Department of Planning and Budget staff said the bulk of this decrease in funding results from a limited number of larger school divisions that did not participate in the at-risk four-year-old program. Decrease of \$14.5 million in FY05 and \$3.6 million in FY06.

School construction loans. Increases by \$25 million (transfer from Literary Fund) the subsidy for the interest rate subsidy program, which is designed to address school construction projects on the first priority waiting list.

Race to the GED. Increase of \$1.2 million in FY06.

Vocational education. Increase of \$800,000 in FY06 for a revised total of \$1.5 million for vocational-technical equipment. Distribution to school divisions will be based on a base allocation of \$2,000 for each division, with the remainder to be distributed based on student enrollment in vocational-technical courses. Funding must supplement, not supplant, local funding.

Defibrillators. Allows basic aid funding attributable to school nurse funding to be used for purchase of defibrillators at high schools.

Other Education

School efficiency reviews. Provides \$1.2 million in FY06 (\$200,000 less than proposed in the introduced budget), for the school efficiency review program. The program will review the administrative efficiency of eight to 10 school districts in FY06.

Workforce scholarships. Provides \$1.1 million in FY06 for technical training certification for non-college bound students. Also provides \$350,000 to reimburse the cost to public schools that offer career and technical training, testing, and certification to students. The Path to Industry Certification program is part of the Senior Year Plus initiative to encourage students not applying to college to get certified technical training.

Virginia Museum of Fine Arts. Increase of \$158,513 to use state general funds to pay the service fee in lieu of taxes to the city of Richmond.

Cooperative extension. Increase of \$1.1 million in general funds to pay for 21 additional staff positions for cooperative extension programs.

State library aid. Increase of \$300,000 to FY06 to partially restore prior reductions in aid to public libraries; removes from the introduced budget aid earmarked for two specific library systems (\$89,000 to Fairfax County and \$175,000 to Norfolk).

Schools for the Deaf and Blind. Transfers funding in FY05 and FY06 from the Secretary of Education to the Board of Education to plan for the consolidation of the two schools for the deaf and blind. The budget language states that the two schools in Hampton and Staunton shall be consolidated into one school at the completion of a new facility at a site to be selected by the state Board of Education. The board is to make its decision by July 31, 2005, and may consider using the existing campus in Hampton or Staunton for renovation, addition or new construction when consolidating the existing schools. The study will include consideration of the status of proposed mechanisms to assist school divisions with programs for children transferring into local school divisions as opposed to attending the new consolidated school.

Institute for Advanced Learning and Research. Increase of \$1.6 million in FY06 for salary and operating costs.

Higher education in Southside Virginia. Includes \$1.0 million in FY06 to support the coordinated and cooperative development of postsecondary education opportunities in Southside Virginia.

Southern Virginia Higher Education Center. Adds \$1.6 million in general and non-general funds to continue the center, located in South Boston. The introduced budget included the funding for this item in Longwood University's budget.

EMPLOYEE COMPENSATION

State-supported local employees salary increases. Adds \$18.1 million in FY06 to fund 4.4 percent salary increases for state-supported local employees (constitutional officers and their employees; local social services, election board employees, health, juvenile justice, and community services board employees and others) effective December 1, 2005. State employees will receive a 3 percent raise effective November 25, 2005 and longevity bonuses, which will result in an average raise of 4.4 percent

Employee benefits. Adds language to avoid penalizing employees called to active duty in the armed forces when calculating retirement benefits for VRS by requiring VRS to use the higher of the pre-deployment salary or the actual salary in calculating average compensation, and to include those months after September 11, 2001 in which the employee was serving on active duty in the calculation of credible service.

National guard life insurance. Adds \$350,220 in FY06 to pay the premium for service members' group life insurance for deployed members of the Virginia National Guard.

HEALTH AND HUMAN SERVICES

Secretary of Health and Human Resources

Housing for persons with disabilities. Directs the Secretary of Health and Human Resources, with the help of the Olmstead Advisory Committee and Department of Housing and Community Development, to report on the housing opportunities for persons with disabilities. It shall include the number of individuals needing housing, various options, amount of subsidies for each option, if any, that would be required, and the financial resources (including local and nonprofit) that would be available to the public agencies responsible for implementation. Report is due November 1, 2005.

Private operation of state behavioral health facilities. Directs the Secretary, in coordination with the Department of Mental Health, Mental Retardation and Substance Abuse Services, to examine the feasibility of Public-Private Education Act (PPEA) proposals for the operation and maintenance of mental health facilities. This examination shall look at the question in terms of restructuring and focus on such issues as building community mental health infrastructure, the resolution of employment issues, a six-year projection comparing the cost of the current structure, a plan for community education, and meeting the needs of various area, including models for rural areas. The report is due November 1, 2005.

Child advocacy centers. Adds \$1.0 million in FY06 to expand or develop child advocacy centers in Virginia. These centers serve abused children through a comprehensive approach to services for victims and their families.

Comprehensive Services Act

Custody study. Adds language to the budget requiring the State Executive Council to study issues regarding relinquishment of custody in order for children to obtain services (already underway, and extended for another year by language in the introduced budget). New language adds a requirement to report and recommend changes that strengthen child advocacy in Virginia. Report is due October 1, 2005.

Administrative costs. Changes back the base year used to calculate local administrative costs to 1997 from 1994. A language amendment made in Special Session I in 2004 changed the year from 1997 to 1994, which affected the distributions to about 26 localities. This change back to 1997 would not take away any funds from other localities.

Department for the Aging

Guardianship programs. Removes the \$150,000 from the introduced budget (from \$905,000 to \$755,000 in FY06) and redirects \$132,000 of this funding to be used to expand public guardian and conservator services for persons with mental illness or mental retardation, or both, who are 18 years of age or older. The introduced budget would have added guardian/conservator programs in planning districts now without them but without a focus on individuals with mental health/mental retardation conditions.

Area Agencies on Aging. Allows the Department for the Aging to distribute state and federal Older Americans Act funding to Area Agencies on Aging (AAAs) in FY06 using the existing formula. Meanwhile, the Department will evaluate the impact on funding to AAAs as a result of using 2000 Census figures. The Department is required complete this evaluation and report by September 15 on the funding formula to be used for distribution of federal FY07 funding.

Department of Health

Nurse recruitment. Provides \$100,000 in FY06 to the statewide Area Health Education Centers (AHECs) to develop and implement a statewide nursing recruitment and retention program in collaboration with nursing and health care groups.

Trauma centers. Adds \$4.2 million NGF in FY06 for the Trauma Center Fund administered by VDH. This revenue will be generated by a \$40 increase in the license reinstatement fee (from \$30 to \$70) for suspended or revoked driver's licenses pursuant to HB 2664.

Health planning agency audits. Removes requirement that the Auditor of Public Accounts audit these regional agencies and instead requires that they get an annual independent financial audit. These agencies already do so.

Public health - dental services. A number of amendments address funding for dental services in specific areas (as opposed to the introduced budget that added general funding to increase access). This funding in FY06 includes \$200,000 to the Northern Neck Free Clinic, \$50,000 for the St. Mary's Health Wagon in central Appalachia; \$25,000 for the Piedmont Dental Health Foundation (Martinsville); and \$25,000 for Charlottesville Area Dental Access to establish a clinic. A related item under DMAS provides \$5 million GF and \$5.8 million NGF to increase Medicaid and FAMIS reimbursement rates for children's dental services by 20 percent by the end of the biennium to help improve access to services.

Virginia Health Care Foundation. Adds \$1.0 million in FY06 for the Foundation to be made available to community health centers, free clinics, medication assistance coordinators, hospitals and other health safety net providers in areas not served or underserved.

Department of Medical Assistance Services

Catastrophic care. Adds \$125,000 in FY06 to the Uninsured Medical Catastrophic Fund to pay for medical treatment of uninsured individuals facing medical catastrophes.

Health care for pregnant women. Reduces by \$1.9 million GF and \$3.5 m NGF the funding for the Family Access to Medical Insurance Security Plan (FAMIS) that would have expanded eligibility to pregnant women over 19 years of age with family income above the Medicaid limit but less than or equal to 175 percent of the federal poverty level. Funding remains for pregnant women over 19 years of age with family incomes less than or equal to 150 percent of the federal poverty level.

Premium assistance for HIV-positive persons. Adds \$100,000 in FY06 to expand the Health Premium Assistance Program for HIV-positive individuals to serve up to 15 eligible persons waiting for services. This helps them maintain private insurance and reduces overall costs

Day support programs. Clarifies legislative intent that the day support waiver program under development will include a continuum of services for mentally retarded individuals.

Medicaid rate increases. Adds \$3.02 million NGF (from the Virginia Health Care Fund and matching federal funds) in FY06 to increase provider rates in certain areas of the Medicaid and FAMIS programs. Rate increases will be effective May 1, 2006. Areas affected include ob/gyn services, pediatric services, emergency room physician services, adult day health care and pharmacy.

Medicaid waiver program increases. Adds \$3.3 million GF and \$3.3 million NGF in FY06 for an additional two percent increase for services provided through the Mental Retardation and Developmental Disabilities waiver program effective July 1, 2005. The 2004 General Assembly approved a three percent rate increase for these services. The plan is to offer adequate reimbursement rates to ensure services to individuals served through these waiver programs.

Rural hospitals – critical access. Adds language to allow for the continued designation of small rural hospital as critical access hospitals for purposes of receiving Medicaid reimbursement under current federal definitions.

Community transition costs. Eliminates language and funding in the introduced budget to establish a new program to provide up to \$4,000 per person to pay for transition costs for residents of nursing facilities or intermediate care facilities for the mentally retarded.

Mental health, mental retardation, and substance abuse services

Private funds for housing services. Requires the Commissioner to present a plan by the 2006 General Assembly to spend up to \$2 million in matching state funds in the event an individual agrees to provide \$2 million in private funds to provide housing and services for mentally retarded individuals who are aged.

Training center community alternatives. Requires the Commissioner to present a report by October 15, 2005 on the cost and feasibility of developing community-based alternatives to the five mental retardation training centers; or renovating the current centers; or a combination of both to meet future care and housing needs of these individuals.

Guardianship services. In addition to the item under Department of Aging for guardianship/conservator services, this item adds \$50,000 in FY06 to pay for legal and medical examinations for no fewer than 25 percents living in the community and in need of guardianship services.

Brain injury services. Adds \$84,475 in FY06 to pay for one staff position. This person will promulgate regulations and implement the licensure of brain injury waiver and residential brain injury services, pursuant to HB 2826/SB 1237.

Sexual violent predator facility. Removes \$1.35 million in FY06 and authorizes the Department to design and construct, or permit the design and construction of a permanent facility for the sexually violent predator program on state-owned property identified by the Department. The Department may enter into an agreement pursuant to the Public-Private Partnership Educational Facilities and Infrastructure Act of 2002 for this purpose.

Hancock Geriatric Center replacement. Removes \$901,000 in FY06 and authorizes the Department to design and construct, or permit the design and construction of a replacement facility for the Hancock Geriatric Center at Eastern State Hospital in Williamsburg using the same mechanism as in the previous item.

Community treatment models for children. Adds \$1 million in FY06 to establish two demonstration projects using evidence-based systems of care models for children and adolescents with behavioral health needs. A total of \$50,000 may be used to pay for an evaluation of these pilots. Each pilot is expected to serve 150-200 children whose needs are currently unmet by existing programs.

Crisis stabilization units. Adds \$2.75 million in FY06 for an additional five community crisis stabilization units for acute and intensive services. The introduced budget funded two such units. A total of \$3.9 million is now earmarked for crisis stabilization services. This will help address problems related to temporary detention orders (TDOs). Language specifies the location of four units: Northern Virginia, the Shenandoah Valley, the Upper Peninsula of Hampton Roads, and the Tidewater area. The Commissioner will designate the location of the remaining three units, based on the need for services, regional plans, and availability of private inpatient hospital bed purchase funding.

Substance abuse funding. Provides \$500,000 in each year of the biennium to continue substance abuse treatment services for 800 consumers, including adolescents and pregnant women.

Mental health services for non-mandated children. Adds \$500,000 in FY06 for children and adolescents with serious emotional disturbances and related disorders who are not mandated for services under the Comprehensive Services Act.

Early intervention. Adds \$3.1 million each year for Virginia's Part C Early Intervention System for infants and toddlers with developmental disabilities. This matches federal funding offered as part of the Individuals with Disabilities Education Act (IDEA).

Mental retardation waiver start-up costs. Uses \$1.3 million of waiver funding during FY05 to help establish community residential services to support the waiver program. This may include group home furnishings, initial transportation costs, trial visitations and group home staff training.

Community pharmacy. Adds \$5.5 million in FY05 to offset a shortfall in funding for anti-psychotic medications and \$1.4 million in FY06 for state facilities' pharmacies to pay for medications for increasing numbers of consumers with chronic medical conditions.

Social Services

Caregivers Grant Program. Adds \$200,000 in FY06 for this program, which grants up \$500 each year to a limited number of caregivers with incomes under \$50,000 and who provide care without reimbursement for at least one-half a year to a family member who is aged, infirm, or disabled.

Community Action Agencies. Provides an additional \$250,000 in FY06 for these agencies. The funding is distributed according to formula.

Domestic violence pilots. Allows the Department to implement six pilot projects to identify and serve TANF recipients who may be victims of domestic violence. Also provides for the training of local workers on identification of services for victims and implementation of other plans for this population.

Additional TANF funding. Authorizes the Commissioner to provide additional federal funding for the TANF child support supplement if such funding becomes available.

Title IV-E funding. Adds \$500,000 in FY06 to offset a reduction in federal Title IV-E funding due to a delay in the processing of payments from the federal government and a change in the eligibility requirements for these matching funds.

Foster care improvement plans. Adds \$855,000 in FY06, for a total of \$3.6 million GF and \$1.05 million NGF to enhance the provision of child welfare services pursuant to the federal Performance Improvement Plan (PIP). These funds shall be provided to local departments of social services. The allocation of such funds will be jointly determined by the Department and the Virginia League of Social Services Executives.

Auxiliary grants. Increases the assisted living facility rate by \$50, from \$894 to \$944, for a total increase of \$2.3 million in FY06. This increases the auxiliary grant by \$34. Local governments pay a 20 percent match on each auxiliary grant.

TANF/View childcare shortfall. Adds \$2 million and \$20.6 million NGF in FY05 and \$7.4 million and \$1 million NGF in FY06 to address increasing Temporary Assistance to Needy Families (TANF) and Virginia Initiative for Employment Not Welfare (VIEW) childcare caseloads.

Oversight of adult care facilities. Adds \$612,853 and 11 adult licensure inspector positions in FY06 to oversee care furnished in adult facilities – primarily adult day care and assisted living facilities.

LEGISLATIVE AGENCIES

Disability Commission. Provides the \$25,000 recommended in the introduced budget for this commission in FY06; establishes it as a separate sub-agency within the Division of Legislative Services.

Electric Utility Restructuring Commission. Provides \$15,000 in FY06 to this commission.

Joint Commission on Health Care. Directs the Commission to study recent trends in federal funding, including the Ryan White C.A.R.E. Act, to Virginia's HIV/AIDS prevention and treatment programs, and identify the impact of such on Virginia's system of care delivery to this population. Report is due for the 2006 Session.

Joint Legislative Audit and Review Commission

- **Medicaid reimbursement rates.** Directs the Commission to report on the adequacy of Virginia's Medicaid reimbursement rates to health care providers (both home and community-based providers), including impact of reimbursement rates on access to care by Medicaid recipients. Report is due November 1, 2005.
- **Assisted living study.** Directs the Commission to report on the impact of new assisted living regulations (resulting from passage of HB 2512 and SB 1183) on the cost of providing services, residents' access to services and providers (including Medicaid-funded mental health and other services, and tangible improvements in the quality of care. Interim report is due November 1, 2005; final report due June 30, 2006.

NATURAL RESOURCES

Department of Conservation and Recreation

Dam repair. Provides \$358,000 for SWCD flood control dams. The introduced budget added \$650,000 in FY06 for repair of dams in state parks.

Land Conservation. Provides \$10 million to the Virginia Land Conservation Fund.

Wildlife management. Appropriates \$200,000 in FY06 for improved public access and enhanced wildlife management in the natural preserve areas.

Department of Environmental Quality

WQIF. Provides \$54 million for wastewater treatment plant improvement funding (includes \$4 million for CSO projects in Lynchburg and Richmond). This is in addition to the introduced budget, which increased the deposit to the Water Quality Improvement Fund (WQIF) for point source pollution reduction by \$16.2 million based on revised FY04 revenues. Also transfers \$6.5 million from DEQ to DCR, as provided in HB 2777 and SB 810/HB1235, which increase the amount of year-end surplus dedicated to agricultural nonpoint source pollution control.

Water Supply. Eliminates water supply research funding (technical assistance) and reduces grants to localities by \$50,000, leaving \$300,000 in grant funding in FY06.

Litter grants. Adds \$1.3 million to repay the treasury loan used to provide Litter Control and Recycling Fund formula grants to local governments in FY05.

Elizabeth River. Includes \$25,000 in FY06 for the Elizabeth River Restoration Trust.

Office of the Secretary of Agriculture & Forestry

Office of the Secretary. Adds \$500,000 to staff and operate the new office of the Secretary of Agriculture & Forestry. Conference: No change.

Marine Resources Commission

Marine patrol officers. Provides \$175,000 in FY06 to the Department of Marine Resources for additional marine patrol officers to address homeland security responsibilities.

Appomattox Dredging. Provides \$500,000 to the City of Petersburg for Appomattox River dredging.

PERSONAL PROPERTY TAX RELIEF ACT (PPTRA)

A package of amendments in the governor's budget bill, negotiated by local governments to facilitate implementation of, and ameliorate the worst cash flow problems resulting from, the 2004 legislation (SB 5005, 2004 Special Session I) capping Personal Property Tax Relief Act (PPTRA) relief at \$950 million beginning in calendar year 2006, survived intact in the passed budget. These changes, together with a distribution schedule developed by the Secretary of Finance in coordination with VML and VACo, will help to ensure an orderly transition to the new PPTRA program in calendar year 2006, and address the cash flow problems caused for "spring billers" in particular by the transition to a state fiscal year, rather than calendar year, basis for the program.

These amendments provide that.

- Spring billers will receive reimbursements within the financial reporting "availability period" (typically 45 or 60 days following June 30), based on historical collection patterns, thus ensuring that cash flow disruption is minimized.
- The "old" car tax reimbursement system will definitively end on September 1, 2006; taxpayers whose bills remain delinquent after that date can be billed at the full amount of the original levy, without regard to the (former) state percentage reimbursement.
- A supplemental appropriation of \$24 million is provided to address reimbursements with respect to delinquent bills that are paid during the transition in CY2006.
- Reimbursement for tax year 2005 and earlier years will continue until the September 1, 2006 cutoff or until the supplemental appropriation is exhausted, whichever comes earlier.
- The base year upon which allocation of the capped \$950 million reimbursement amount is based will be changed from tax year 2005 to tax year 2004, so as to give all localities an opportunity to have the base computed on a full collection cycle.
- Localities may show the car tax relief as a specific amount for each vehicle, in the same manner as under the present system, and adopt the formula for allocation of the state reimbursement as part of the local budget process (as opposed to having to set multi-tiered rates as originally proposed). Localities will be generally free to distribute the relief -- which they will receive essentially as a block grant -- as they see fit, but will need to adopt ordinances or

budget provisions detailing how relief will be apportioned. Localities will have to take specific action to continue to exempt vehicles valued at \$1000 or less entirely from the tax.

- The Secretary of Finance is provided authority to pay spring-billing towns that account on a cash basis “early,” so that the revenue will post to the proper fiscal year.
- “Intent of the General Assembly” language is added to express the intent to continue paying spring billers on these terms.

The Auditor of Public Accounts has confirmed that if the Commonwealth pays the car tax reimbursement to spring billers within their availability period, the revenues can and should be attributed to the fiscal year just ended.

PUBLIC SAFETY

Secretary of Public Safety

Offender population forecasts. Directs the Secretary of Public Safety to complete the state and local juvenile and state and local responsible adult offender population forecasts by September 30 rather than October 15, and include an estimate of the number of probation violators included in the forecast.

Probation and parole violators. Directs the Secretary of Public Safety to develop a plan for expanding minimum security facilities for probation and parole violators or other offenders with low risk of re-offending. Potential locations for these facilities may include jails, as well as nonprofit or privately operated facilities. A report is due October 15, 2005.

Department of Corrections

Feasibility study of minimum security facilities. Directs the Department of Corrections to determine the feasibility of contracting for minimum security facilities and bedspace for selected state-responsible offenders, including probation and parole violators. Certain jails will be looked at as potential sites for additional capacity for such inmates. These include: Roanoke County-Salem Regional Jail; Riverside Regional Jail, Rappahannock Regional Jail. Other sites with new bedspace will be looked at as potential sites to contract with for a portion of their new space: Middle River Regional Jail, Southwest Virginia Regional Jail, and Clarke-Fauquier-Frederick-Winchester Regional Jail. Other regional or local jails may be examined as well. Two jails – Pamunkey Regional and Virginia Peninsula Regional – may receive permission to develop minimum security facilities for housing state-responsible offenders. The Governor may make recommendations for funding such projects by the 2007 Session.

Return-to-custody procedures. Language clarifies the procedures to be used for implementing the return-to-custody pilot program in selected jails, and authorizes the conversion of an existing diversion or detention center into a new return-to-custody residential center. The return-to-custody program is aimed at felony offenders who are found to be in technical violation of conditions of parole, post-release, or probation. Sheriffs and regional jail superintendents may enter into agreements to house such offenders.

Priority order for state prison transfers. Requires the Department of Corrections to place a priority on receiving state-responsible inmates from local and regional jails who are diagnosed and being treated for HIV, mental illnesses requiring medication, or Hepatitis C. This is intended to help local and regional jails with the expense of providing expensive medical care to these particular state-responsible inmates.

New prisons. Directs the Department of Corrections to develop a plan to construct and operate two new prisons. The first priority is to locate a facility in the Mount Rogers Planning District; the second priority is for a facility to be located in Charlotte County. Plan is due October 15, 2005.

Day Reporting Centers. Directs the Department of Corrections to give priority for one of the new day reporting centers to the district serving the Winchester area.

Department of Criminal Justice Services

Community corrections. Adds \$500,000 in FY06 to local-responsible community corrections and pretrial release programs to expand the use of community supervision to reduce jail crowding.

Law enforcement training academies. Adds \$274,385 to restore state support for regional training academies to the level of funding in FY01. Adds \$558,203 in NGF to reflect special fund revenues from court fees going to these academies.

Terrorism prevention grant program. Adds \$246,040 in federal funds and two positions in FY06 to administer the Law Enforcement Terrorism Prevention Grant Program that offers training, equipment procurement, and terrorism prevention services to state and local law enforcement.

Fire Programs

SAFER. Reduces by \$1 million the state matching funding for the federal Staffing for Adequate Firefighters and Emergency Response (SAFER) program in the current year, leaving \$250,000 in each year. These funds would be used as reimbursement to local governments for the first year local matching requirement for this discretionary federal program. The state reimbursement is limited to first year matching requirement of 10 percent. Local governments that choose to participate in this program would be responsible for the increasing match rate each year following, with 100 percent local money required by the fifth year. Language in the introduced budget allowing the FY05 funds to be carried over to FY06 is struck. Virginia's share of federal funding for this program is estimated to be \$2.3 million.

Fire programs fund. Increase the agency's NGF appropriation by \$2 million each year due to increased revenues collected by the State Corporation Commission from property insurance companies doing business in Virginia. Funding for the fire programs fund comes from a surcharge on property insurance coverage. Allows the Virginia Fire Services Board to increase the minimum payment that each locality receives through the Fire Programs Fund. The Code of Virginia currently sets the minimum distribution at \$4,000 for towns and \$10,000 for cities and counties. A 2001 ruling of the Office of the Attorney General allowed the Board to increase the minimums to \$6,000 and \$12,000 respectively. A more recent ruling by the OAG stated that the Board needed legislative authority to increase the distributions. The amendment allows the enhanced minimum distributions to take place until the General Assembly can amend the Code.

Juvenile justice

Group home moratorium exemption. Exempts Crossroads Community Youth Home (Williamsburg, James City, York and Gloucester Counties) from the existing moratorium on construction or renovation of group homes. Approval of plans by the Board of Juvenile Justice to

replace the existing facility is subject to availability of funds and approval of the General Assembly.

Gang response. Adds \$64,985 and one position in FY06 for a full-time trainer to train security staff to identify and work with gang members inside juvenile correctional centers and develop a response plan to counter gang activity in the community.

Military Affairs

Challenge youth program. Adds \$240,000 in general funds and \$360,000 in federal funds in FY06 for the Commonwealth Challenge Youth Program at Camp Pendleton. This will allow this residential program to serve an additional 50 at-risk youth in each five-month cycle, and a total of 400 youth in a year.

State Police

I-81 enforcement. Adds \$110,000 in FY06 to increase traffic enforcement along I-81. State Police will work with VDOT to determine appropriate enforcement strategies and location, using available traffic and crash data. This report is due December 1, 2006, with an interim report on December 1, 2005.

Med-Flight funding. Directs State Police to review the use of funds provided from the Rescue Squad Assistance Fund for Med-Flight operations. Report is due September 1, 2005

Gang-reduction initiative. Provides \$951,306 and 12 positions in FY06 to continue the statewide Gang-reduction initiative. Programs are based out of Salem, Culpeper, Chesapeake and Richmond State Police offices. Funding will pay for three additional staff in each office.

TRANSPORTATION

Secretary of Transportation

VTrans study. Directs the Secretary to report by December 1, 2005, on the status of implementing the recommendations in the multi-modal long-range transportation plan known as VTrans 2025.

Aviation

Additional funding. Provides an additional \$600,000 NGF for the Department's share of Transportation Trust Fund (TTF) allocations. This additional funding results from clarification of the Governor's authority to transfer accelerated sales tax collections to the TTF.

Washington Airports Task Force. Provides an additional \$130,000 from aviation NGF in FY06 to restore funding to this task force to 2002 levels.

Department of Rail and Public Transportation

Communications study. Directs the department to study communications equipment currently used by transit organizations in Virginia, with particular emphasis on the ability to communicate internally and with first responders in the event of an emergency or natural disaster. If communications equipment is found to be outdated or outmoded, the Department will expand the study to include the future need for upgraded equipment and availability of state or federal funds for such purposes. No report date is given.

Transit capital purchases. Provides \$75 million during the biennium for such purposes, with funding allocated as follows: \$10 million for bus rapid transit in Virginia Beach; \$20 million to Virginia Railway Express for rail car purchases; \$40 million for rail car purchases by Washington Metro; and \$5 million for a statewide bus purchase and bus facilities projects. All funding recipients must provide a 20 percent match. The introduced budget proposed \$80 million for a transit partnership fund, with the same amounts for the special earmarks and an additional \$10 million for statewide bus purchase.

Additional funding. Provides an additional \$3.9 million in FY06 for the Department's share of Transportation Trust Fund (TTF) allocations. This is based on language clarifying the Governor's authority to transfer accelerated sales tax collections to the TTF.

VRE extension. Directs the Department to develop a plan to identify revenue sources to pay for the extension of the Virginia Railway Express to Gainesville and Haymarket. The Department shall look at the potential need to solicit a public-private transportation act proposal for such project and consider use of Rail Enhancement Funds for this extension. Plan is due December 1, 2005.

Trans Dominion Rail. Directs the Department to work toward development of a Trans Dominion passenger rail pilot project between Bristol and Richmond.

Department of Transportation

Transportation initiative of 2005. Deletes the transportation initiative from the introduced budget that represented Governor Warner's transportation partnership program and replaces it with the General Assembly's consensus plan, called the "Transportation Initiative of 2005." It provides \$240 million in FY05 and \$107.6 million GF and \$500.5 million NGF in FY06 to fund various transportation initiatives primarily during this biennium. This funding will go towards the following items:

- **Priority Transportation Fund.** A total of \$107.5 million in FY06 from the share of insurance premium tax revenues derived from automobile insurance premiums will be deposited into this fund. Currently these dollars go into the state general fund.
- **Deficit pay off.** A total of \$256.4 million will be deposited into the highway share of the TTF to fully fund interstate, primary, secondary and urban projects that are completed but require a deficit payoff in the 2005-2011 six year plan. This is the same total amount as proposed in the introduced budget.
- **Transportation Partnership Opportunity Fund.** A total of \$50 million will be deposited into this new fund during the biennium to help with projects pursuant to the Public-Private Transportation Act of 1995, as well as with authorized design-build projects.
- **Rail Enhancement Fund.** A total of \$23.2 million in FY06 from the Commonwealth Transportation Fund will go into the Rail Enhancement Fund created by HB 2596. This is the same amount proposed in the introduced budget for the Rail Partnership Fund.
- **Transit capital purchases.** An earlier item listed under Department of Rail and Public Transportation outlines what the \$75 million will purchase in this biennium.
- **Road and bridge maintenance.** A total of \$97 million (NGF – from Federal Highway Administration funds) will be used for maintenance of pavements and bridges and the

operations of the transportation system. This is the same amount as in the introduced budget.

- **Welcome centers/rest areas.** Earmarks a total of \$20 million to support any public-private partnership developed by the Secretary to privatize welcome centers and rest areas. A waiver of federal law and regulation is necessary for such a project to go forward. If a waiver is not possible, the funding will be used to repair, improve, construct or replace these facilities. The priority is on facilities along I-95 and I-64, but the Commonwealth Transportation Board may consider welcome centers and rest stops along I-81 as well.
- **DMV computer system.** A total of \$2.4 million from the Commonwealth Transportation Fund in FY06 is earmarked for DMV to conduct an agency-wide assessment of its computer systems. A report on the assessment and use of funds is due November 15, 2005.
- **Local revenue sharing.** Allocates an additional \$35 million for the local revenue sharing program and expands eligibility to cities and towns. A more complete description of this program is in a later item listed below.
- **Local partnership program.** Allocates \$40 million during the biennium for a local partnership program. A more complete description of this program is listed below.

Transportation Partnership Opportunity Fund. Directs that \$23.6 million from unobligated balances in the Toll Facilities Revolving Account be transferred to this new fund. This is part of the \$50 million allocated to this fund for the biennium. The Fund is established pursuant to HB 2793 passed by the 2005 General Assembly.

Land use-transportation linkage. For allocation of funds under ground transportation system planning and research, priority will be given to local governments, east of or adjacent to Route 29, that complete a build-out analysis of their comprehensive plans and zoning. The intent is to strengthen the linkage between local land use planning and transportation infrastructure.

I-81 projects. Directs VDOT to follow policy set by the General Assembly in 2002 to restrict the use of tolls on Interstate 81 in any Public-Private Transportation Act project. This policy can only be overridden by action taken by the federal government. Signals the General Assembly's intent that the Commonwealth Transportation Board proceed with the environmental study of the I-81 reconstruction project and that this study consider the impacts of various rail options on the project.

Coalfields Expressway. Directs VDOT to issue FRANs for the Coalfields Expressway in the next Six-Year Improvement Plan.

Revenue sharing for cities, towns and counties. Adds \$35 million to the existing revenue sharing program to increase the funding level from \$15 million to \$50 million. Expands eligibility for grants under this program to cities, and towns that maintain their own roads, in addition to counties. The maximum amount of any individual project grant under this program shall be \$1 million. Participating localities may identify a project or projects to receive up to \$1 million in dollar for dollar matching funds to assist in the maintenance, operation, or construction of the primary, urban, or secondary road system infrastructure. Such funds may also be used to take certain streets into the secondary system as outlined in Code Sec. 33.1-72.1. VDOT must develop procedures relating to the selection of grant recipients for the revenue sharing program by Sept. 1, 2005. Such procedures shall include policies to guide project

selection should grant applications exceed available funding. When selecting projects, VDOT must consider whether a locality proposes to provide a greater match than is required, if the maximum grant size of grants should be prorated to expand participation rates, and geographic breadth of grants provided.

Local partnership program. Funds this new program at \$40 million for the biennium. This funding was proposed in the introduced budget as a part of Governor Warner's transportation partnership plan to encourage local participation in construction projects. The General Assembly's actions limit the use of these funds to a project or projects scheduled for advertisement from July 1, 2005, to June 30, 2006, that are paid for with federal funds allocated through the secondary and urban allocation formula. The replaced federal funds would still be used for another qualifying transportation project in the same locality.

County assumption of roads. Directs VDOT to work with county representatives to develop and prepare recommendations on the process for any county, at their request, to assume responsibility for their secondary construction program. Recommendations are due Nov. 1, 2005.

FRANs. Expresses the intent of the General Assembly that general fund appropriations to the Priority Transportation Fund include general fund dollars to pay the debt for Federal Highway Revenue Anticipation Notes (FRANs) issued to replace the \$317 million in general sales and use taxes diverted from the Transportation Trust Fund in FY03. This should continue until the debt is retired.

Virginia Port Authority

Additional revenues. Provides an additional \$1.1 million for the Department's share of Transportation Trust Fund allocations. The additional revenue results from language clarifying the Governor's authority to transfer accelerated sales tax collections to the Transportation Trust Fund.

STATE REVENUES

Accelerated sales tax. Decreased general fund revenues by \$200.1 million by eliminating the accelerated sales tax for all businesses with annual sales of less than \$50 million, and lowering the June payment required of the remaining businesses from 90 percent of estimated liability to 20 percent. The budget also requires that the remaining accelerated tax collection, which now amounts to about \$27 million, be eliminated in the 2007 budget.

NON-STATE AGENCIES

Adds \$25,000 in FY05 and \$33.5 million general funds in FY06 for local cultural attractions. All recipients must provide a statement describing their economic impact on the Commonwealth in terms of visitation, payroll, or other measures. The amount of the grants are listed in Item 531 of the budget, at this web site address: <http://leg1.state.va.us/cgi-bin/legp504.exe?051+bud+21-531>